

# **PUBLIC DISCLOSURE**

**October 10, 1996**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Valley Bank, N.A.  
Charter Number 22763**

**36 Church Ave, SW  
Roanoke, Virginia 24011**

**Office of the Comptroller of the Currency  
Roanoke Duty Station**

**3800 Electric Road, Suite 204  
Roanoke, VA 24018**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Valley Bank, N.A.** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 10, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

Valley Bank, N.A. has a satisfactory record of meeting the credit needs of the bank's community, including the needs of low- and moderate-income individuals. This assessment is based on a strong loan to deposit ratio, a high level of lending within the bank's assessment area, a reasonable level of lending to borrowers of different incomes and businesses of different sizes, and a reasonable geographic distribution of loans within the bank's assessment area.

The following table indicates the performance level of Valley Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	VALLEY BANK, N.A. PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the bank opened.		

## **DESCRIPTION OF INSTITUTION**

Valley Bank, N.A. is a \$43 million dollar de novo institution located in Roanoke, Virginia. It opened on May 15, 1995, and is the wholly-owned subsidiary of Valley Corporation, a one-bank holding company. It currently operates one branch office and an automated teller machine in Roanoke County and has its main office in the heart of Downtown Roanoke. Valley offers a variety of traditional banking products and services including small business, residential, consumer and commercial loans. However, the institution's primary market is small business lending, as reflected in its loan mix of 57% commercial, 40% residential, and 3% instalment loans.

Valley Bank, N.A. considers its market niche to be individuals and small businesses currently under served by other local banks. Factors impacting the bank's ability to generate business and make loans include limited bank offices and a relatively low legal lending limit. Much of the institution's lending has been concentrated in areas surrounding the bank's two offices and the management has had to seek participation loans to fund larger dollar commercial credits.

## **DESCRIPTION OF ASSESSMENT AREA**

Valley Bank's assessment area is the Roanoke Metropolitan Statistical Area (MSA), located in the southwest region of Virginia. The area includes the independent cities of Roanoke and Salem, as well as Roanoke and Botetourt Counties. The assessment area includes 45 census tracts, of which 3 are low income, 11 are moderate income, 23 are middle income, and 8 are upper income.

The Roanoke MSA has a total population of 224,477. The median family income for this area is \$43,400. The area has a stable and diverse economy, with low unemployment of approximately 2%. The medical and manufacturing industries are significant contributors to the local economy and are large local employers.

Discussions with bank officials and local community action and redevelopment organizations indicate community credit needs include small dollar personal loans, home-improvement financing, and community development and redevelopment financing. The bank is currently addressing these needs through existing products.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

### **LOAN TO DEPOSIT RATIO**

**The bank's loan to deposit ratio is more than reasonable given the bank's size, age, and legal lending limit restrictions.** Valley Bank's loan to deposit ratio has averaged 78.45% since the bank opened in May of 1995. This ratio compares favorably to other de novo banks with similar constraints, whose average during the same period is 63%.

### **LENDING IN THE ASSESSMENT AREA**

**A substantial majority of the bank's loans are located within the bank's assessment area.** Based on bank-supplied information, 90% of the number and 87% of the dollar volume of loans originated since the bank opened were located within the Roanoke MSA. These high percentages demonstrate management's commitment to extending credit within its assessment area and meeting the credit needs of the assessment area.

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES**

**Valley Bank has a reasonable distribution of loans among borrowers of all income levels and to businesses of different sizes, particularly small businesses.** Valley's extensions of credit to low- and moderate-income individuals are below the demographic characteristics of the area. Of the consumer loans extended through 8/31/96, approximately 7% were extended to low-income individuals and 10% were extended to moderate-income borrowers. Demographic information indicates that 23% of the households in the assessment area are considered low-income and 16% are moderate-income. However, Valley's penetration is reasonable given the age of the bank and the size of its branches.

Valley's lending is targeted to small businesses. The majority of commercial loans originated since the bank opened have been made to businesses with less than \$1 million in annual revenue. Specifically, 77% of the number, and 70% of the dollar volume of all commercial credit extensions granted since the bank opened have been made to businesses with annual revenues of \$1 million or less.

In addition, Valley Bank has promoted local economic development by providing loans to finance start-up businesses within the assessment area. For example, in conjunction with the Downtown Roanoke Upper Story Housing Loan Pool, the bank is providing low-interest financing for the purchase and construction of low- to moderate-income housing in Downtown Roanoke. The institution has also provided several loans to finance the purchase and rehabilitation of low- and moderate-income housing.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

**Valley Bank has a reasonable penetration of credit extensions throughout its assessment area.** While credit has been extended in the majority of the assessment area's census tracts, there is no consumer penetration in low-income tracts, and a number of moderate-income tracts have little to no consumer penetration as well. An analysis of the institution's lending patterns, though, indicates that loans are concentrated in those tracts nearest the bank's two offices and the bank's efforts to extend credit do not exclude any particular geographies. These lending patterns are also reasonable considering the age of the bank and the significant level of competition from area financial institutions.

## **RESPONSE TO COMPLAINTS**

No complaints have been received since the bank opened.

## **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS**

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.